

**CITY OF NEWPORT BEACH
FINANCE COMMITTEE STAFF REPORT**

September 12, 2011

TO: HONORABLE CHAIR AND MEMBERS OF THE COMMITTEE

FROM: Finance Department
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SUBJECT: MASTER FEE SCHEDULE UPDATES – YEAR 2 (FY 2010-11)

ABSTRACT:

The Master Fee Schedule contains the fee amounts to be charged for City-provided services. Chapter 3.36 of the Municipal Code, "Cost Recovery for User Services", authorizes the City to recover the actual cost of providing services, which includes, but may not be limited to, direct labor costs, administration or "overhead" costs, and the cost of materials and supplies.

DISCUSSION:

On April 13, 2010, Council approved a six-year professional service agreement with MGT of America, Inc. to update the cost allocation plan and prepare a cost of services study for the City of Newport Beach. The six-year contract allows for more frequent updates to the cost allocation plan and the master fee schedule. Three or four City departments are studied in depth each year (every City department and the cost allocation plan is updated over three years), which allows MGT more time to provide detailed analysis of each department's services, and also allows staff more time to review and approve the updated fees and subsidies. This rotational in-depth analysis will also help reduce sudden large variances in fees charged by fewer reviews/updates, as well as incorporate recent major departmental restructuring efforts into the fee schedule in a more timely fashion.

We are near completion of the Year 2 phase which includes the following departments: Finance, Recreation and Senior Services (RSS), Municipal Operations Department (MOD) and Library. We intend to take the recommended changes to Council at Study Session September 27, 2011, and for Regular Meeting on October 11, 2011. This report is to provide an update to the committee in preparation for those Council meetings.

PROCESS:

Step 1: MGT works with select departments to update staff time spent and materials needed for each service, recommends possible new fees based on relevant government comparables, and calculates all fees based on the collected data (basic principle is full cost recovery).

Step 2: Departments review the fee schedule for accuracy and reasonableness. Then they determine if any proposed new fees should be charged given Newport Beach culture and values. Based on these determinations, department staff makes subsidy recommendations per NBMC Section 3.36.030.

Step 3: Management recommends fees to Council who will then make the final decision to approve/disapprove.

SIGNIFICANT RECOMMENDATIONS:

Finance Department:

- **Delete** all coin machine/ penny arcade & amusement business related fees, 11 total. These fees originated to regulate potential dangers to the public (nuts & confections) or potential nuisances (noisy/violent video games, tattoos, etc). We no longer charge these fees and find them outdated and therefore recommend removing them from the fee schedule.
- **Delete** the \$5.00 Business License renewal fee. It is time-consuming and inefficient to bill, and our information systems software does not support the charge. It is also a nuisance to business owners and the cost to bill and track is more than the revenue potential.
- **Significant increase** in cost of services for all “Vehicles for Hire” (VFH) fees. These are pedicabs, sightseeing autos and the Newport Cruiser (when it was in NB). Increase attributed to the more comprehensive background checks, fingerprinting, DUI and DMV searches. Police Department agrees with the increase as they are required to perform significant work if a VFH permit is requested; however, we had no VFH permit requests this past year and such requests are extremely rare here in Newport Beach.
- **New Fees:**
 - Short Term Lodging Permit Renewals \$159.00. Have not charged for this service before but it does represent a significant amount of staff time to generate reports, reconcile, mail and update information. If approved by Council this would be charged every 2 years.

- Short Term Lodging Permit – Reprint \$9.00. Fee to replace lost permits, does not happen often and this fee is for the staff time to look up and paper.

RSS:

- The only significant change was that we added facilities maintenance and repairs to the cost allocation process. For some reason this was left out previously, however there was no impact on fees as most of RSS fees are heavily subsidized by the City and we will recommend leaving and on a few occasions increasing those subsidies.
- **Significant decrease** in the Special Event – bundled fee from \$5,145 to \$2,883. Staff reviewed time actually spent on this process and was able to significantly lower the fee. Fee was only requested 4 times last year but will result in significant savings to those interested.

MOD:

- **Delete** both construction water jumper fees as we do not provide this service any longer.
- **Delete** Hydrant Flow Test – Witness fee, not needed nor required, should be part of the Regular Hydrant Flow Test fee.
- **Significant increase:**
 - Hydrant Flow Test – regular hours from \$210 to \$405. The fee has not been calculated for many years and staff time needed to perform the flow test and work with the applicant has increased. Due to the significant increase, staff will recommend a phasing in period of 3 years.
 - Water Service Installation fee from \$160 to \$525. Increase attributable to staff time needed to perform field work and record keeping. Due to the significant increase, staff will recommend phasing in over a 3 year period.
 - Solid Waste Permit Application fee from \$398 to \$1,156. Fee transferred from Finance to MOD, increase was primarily attributable to the staff hours to prepare the permit, review the insurance requirements and prepare and present City Council.
- **New** fee for Construction Water Hydrant – Establishment \$100 (also recommending a new subsidy). The City has recently changed the procedure for acquiring a construction meter. In an effort to reduce the number of missing meters due to the contractor's not returning them and/or stolen meters, the City will deliver the meter to the construction site and lock them to the fire hydrant. It is anticipated that this new process will take additional staff time, however it will be more cost effective than replacing lost and stolen water meters. Because the

process is new we recommend phasing in the estimated increase in staff costs. An analysis of average time will be developed within the first year.

Library:

- No significant changes to report.

Finance staff appreciates this opportunity to present preliminary fee information to the Finance Committee and looks forward to discussing any questions or concerns during the meeting.

Prepared by:

/s/ Tracy McCraner
Finance Director